CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

December 13, 1999

H.R. 1180
Ticket to Work and Work Incentives Improvement Act of 1999

As cleared by the Congress on November 19, 1999

SUMMARY

H.R. 1180 would alter cash and health care benefits for people with disabilities. Title I would revamp the system under which people collecting benefits from Disability Insurance (DI) and Supplemental Security Income (SSI) receive vocational rehabilitation (VR) services and would make it easier for working beneficiaries to retain or regain cash benefits. Title II would permit states to extend Medicaid coverage to certain disabled workers, enhance Medicare coverage for people who leave the DI rolls because of work, and create a grant program and demonstration projects for states to assist disabled workers. Title III would require several demonstration projects affecting DI recipients. To offset the costs of the act, title IV would tighten restrictions on the payment of Social Security benefits to prisoners, give certain members of the clergy another opportunity to enroll in the Social Security system, levy a processing charge on some attorneys who represent DI claimants, reduce some Medicare and Medicaid costs, change the yields guaranteed to lenders in the student loan program, and amend provisions governing several other programs. Title V, the Tax Relief Extension Act of 1999, would amend existing tax laws and extend numerous tax provisions that have recently expired or are about to expire. The provisions of title V, which include the extension of the research and development tax credit and the treatment of nonrefundable personal credits under the Alternative Individual Minimum Tax would, on balance, reduce federal revenues.

CBO estimates that the act's effects on direct spending and revenues would reduce the total federal surplus by $15.6 billion over the 2000-2004 period. Of that amount, $0.1 billion would represent a decrease in the off-budget Social Security surplus, and $15.5 billion a decrease in the on-budget surplus. Over the 10-year period from 2000 through 2009, the act's effects on direct spending and revenues would reduce the total federal surplus by an estimated $18 billion. The reductions in the surplus are attributable to title V of the act; titles I through IV alone would raise the surplus slightly.

Although H.R. 1180 is intended to encourage people who collect disability benefits to return to work, CBO estimates modest savings in the DI and SSI programs. CBO expects that the provisions of title I making VR benefits more widely available would spur some recipients to leave the rolls. The evidence that the rest of the act would lead to DI and SSI savings, however, is thin. As described below, current law already contains incentives designed to smooth beneficiaries' return to work, yet only a small percentage of beneficiaries take advantage of them. CBO therefore expects that the program liberalizations in this act would not greatly change behavior. Some of the act's provisions would be at a state's option and would not be available everywhere. The proposed enhancements to health care coverage for disabled workers, and the outreach and information programs envisioned by the act, could actually lead to an increase in applications for cash benefits. Finally, H.R. 1180 would not change the laws governing cash benefits. In particular, the requirement in current law that DI benefits stop once the beneficiary has significant earnings—defined as $700 a month—would remain, except for small-scale experiments with alternative rules (see title III).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1180 on direct spending and revenues is summarized in Table 1. This legislation would affect budget functions 500 (education, training, employment, and social services), 550 (health), 570 (Medicare), 600 (income security), 650 (Social Security), and 800 (general government). For purposes of enforcing pay-as-you-go procedures, only the on-budget (non-Social Security) effects of the act would be counted.

BASIS OF ESTIMATE

For purposes of estimating the budgetary impact of H.R. 1180, CBO assumes enactment in December 1999. Table 2 displays detailed estimates of the effects of each title of the act on direct spending and revenues.

TABLE 1. SUMMARY OF ESTIMATED EFFECTS OF H.R. 1180 ON DIRECT SPENDING AND REVENUES

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
DIRECT SPENDING										
Social Security (off-budget)	-16	-36	-28	-15	-16	-22	-47	-53	-53	-53
Supplemental Security Income	-1	-7	-7	-8	-12	-17	-26	-32	-37	-297
Medicare [a]	0	7	26	48	79	107	131	141	155	171
Medicaid	2	16	18	20	22	24	27	29	33	36
HHS Mandatory Outlays	0	13	28	44	44	45	45	46	16	12
Student Loans	b	-5	-10	-5	0	0	0	0	0	0
Child Nutrition	0	-55	-55	-55	-55	-55	-55	-55	-55	-55
Earned Income Credit	-2	-31	-32	-33	-34	-34	-35	-36	-37	-37
Payments to Territories	20	115	15	0	0	0	0	0	0	0
Vaccine Injury Compensation	b	b	1	1	2	2	2	2	2	2
Total	2	16	-44	-2	31	51	42	43	24	-220
On-Budget	18	52	-16	13	46	72	89	96	77	-167
Off-Budget	-16	-36	-28	-15	-16	-22	-47	-53	-53	-53
REVENUES										
Revenues	68	-2,958	-8,145	-2,382	-2,154	-1,288	-663	-372	-153	-46
On-Budget	116	-2,846	-8,105	-2,391	-2,163	-1,298	-673	-382	-163	-57
Off-Budget	-48	-112	-40	9	9	10	10	10	10	11
SURPLUS (+) OR DEFICIT										
Total	65	-2,975	-8,101	-2,380	-2,185	-1,339	-705	-415	-177	174
On-Budget	97	-2,899	-8,089	-2,404	-2,210	-1,370	-762	-478	-240	110
Off-Budget	-32	-76	-12	24	25	31	57	63	64	64

Notes: Components may not sum to totals due to rounding.

HHS=Department of Health and Human Services.

a. Medicare costs consist of outlays of the Hospital Insurance and Supplementary Medical Insurance trust funds, less premiums.

b. Less than $500,000.

TABLE 2. ESTIMATED DIRECT SPENDING AND REVENUE EFFECTS OF H.R. 1180, BY TITLE

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Title I										
Tickets to Work and Self-Sufficiency										
Disability Insurance	a	a	2	3	-5	-21	-45	-51	-52	-53
Medicare	a	a	a	a	1	1	1	-3	-11	-25
Supplemental Security Income	a	a	1	1	-2	-7	-16	-22	-27	-32
Subtotal (effect on outlays)	a	a	3	4	-7	-27	-60	-75	-90	-110
Ban on Work CDRs for Certain DI Beneficiaries										
Disability Insurance	0	0	5	15	20	25	25	25	25	25
Medicare	0	0	2	5	7	8	9	10	10	11
Subtotal (effect on outlays)	0	0	7	20	27	33	34	35	35	36
Expedited Reinstatement of DI Benefits										
Disability Insurance	0	1	1	1	2	3	3	4	5	6
Medicare	0	a	a	a	1	1	1	2	2	3
Subtotal (effect on outlays)	0	1	1	1	3	4	4	6	7	9
Title II										
State Option to Raise Income and Resource Limits for Medicaid Buy-in										
Medicaid outlays	0	10	12	13	14	15	17	18	20	22
State Option to Continue Medicaid Buy-in After a CDR	0	1	2	2	3	4	5	6	7	9
Medicaid outlays										
Extension of Medicare for Former DI Beneficiaries										
Medicare outlays	0	10	29	48	74	98	118	128	150	178
Infrastructure Grants to States										
HHS Mandatory Grants	0	3	3	4	4	5	5	6	6	7
Health Care Demonstration Project										
HHS Mandatory Grants	0	10	25	40	40	40	40	40	10	5
Title III										
Extension of DI Demonstration Project Authority										
Disability Insurance outlays	3	5	5	5	5	3	a	a	a	a
$1-for-$2 Demonstration Projects										
DI Benefit Costs	0	0	3	8	13	18	19	18	18	18
Medicare Costs	0	0	0	0	2	4	7	9	9	9
Subtotal (effect on outlays)	0	0	3	8	15	22	26	27	28	27

Continued

TABLE 2. Continued

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Title IV										
Provisions Affecting Prisoners										
Payments to Prisons (OASDI)	2	7	8	9	9	10	10	10	10	10
Payments to Prisons (SSI)	a	1	1	1	1	1	1	1	1	1
Savings in Benefits (OASDI)	-5	-24	-28	-31	-35	-35	-35	-35	-35	-35
Savings in Benefits (SSI)	-2	-7	-8	-9	-11	-11	-11	-11	-11	-11
Subtotal (effect on outlays)	-5	-24	-27	-31	-36	-35	-35	-35	-35	-35
Open Season for Clergy to Join Social Security										
Off-Budget (OASDI) Revenues	2	7	9	9	9	10	10	10	10	11
On-Budget Revenues—HI	1	2	2	2	2	2	2	2	2	2
Other On-Budget Revenues	a	-1	-1	-1	-1	-1	-1	-1	-1	-1
OASDI Benefits	a	a	a	a	a	a	1	1	1	1
Subtotal (effect on total surplus)	3	8	10	10	10	10	10	10	11	11
Collection of Processing Fees from Attorneys										
Disability Insurance outlays	-15	-25	-25	-25	-25	-25	-25	-25	-25	-25
Expansion of Medicaid Anti-Fraud Authority										
Medicare outlays	0	-3	-5	-5	-5	-5	-5	-5	-5	-5
Change in Lender Yields on Student Loans										
Student loan outlays	a	-5	-10	-5	0	0	0	0	0	0
Reduction in Requirement for Purchased Commodities										
Child Nutrition outlays	0	-55	-55	-55	-55	-55	-55	-55	-55	-55
Clarification of Definition of Foster Child for Purposes of the EIC										
EIC outlays	-2	-31	-32	-33	-34	-34	-35	-36	-37	-37
Revenues	a	5	5	5	5	6	6	6	6	6
Subtotal (effect on total surplus)	2	36	37	38	39	40	41	42	43	43
Speedup in State Reimbursements for SSI Supplements										
Supplemental Security Income outlays	0	0	0	0	0	0	0	0	0	-255

Continued

TABLE 2. Continued

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Title V										
Revenues	65	-2,971	-8,160	-2,397	-2,169	-1,305	-680	-389	-170	-64
Outlays										
Payments to territories	20	115	15	0	0	0	0	0	0	0
Medicaid	2	4	5	5	5	5	5	5	5	5
Vaccine injury compensation	a	a	1	1	2	2	2	2	2	2
Total [b]										
Outlays	2	16	-44	-2	31	51	42	43	24	-220
Revenues	68	-2,958	-8,145	-2,382	-2,154	-1,288	-663	-372	-153	-46
Surplus (+) or Deficit	65	-2,975	-8,101	-2,380	-2,185	-1,339	-705	-415	-177	174

Notes: Components may not sum to totals due to rounding.

Numbers represent the provision's effect on outlays or revenues. A decrease in outlays, or an increase in revenues, raises the surplus.

OASDI=Old-Age, Survivors, and Disability Insurance, DI=Disability Insurance, SSI=Supplemental Security Income, CDR=Continuing Disability Review, HI=Hospital Insurance (Medicare Part A), HHS=Department of Health and Human Services, EIC=Earned Income Credit.

a. Less than $500,000.

b. Includes both on- and off-budget (Social Security) effects.

Current Law

About 8 million people between the ages of 18 and 64 now collect cash benefits under DI, SSI, or both. In both programs, applicants must show that they are incapable of substantial work in order to be awarded benefits. Nevertheless, the programs have several provisions that are meant to smooth beneficiaries' return to work. The law permits DI recipients to earn unlimited amounts for a nine-month period (known as the trial work period, or TWP) and a subsequent three-month grace period before benefits are suspended. During the next three years—a period known as the extended period of eligibility, or EPE—those beneficiaries may automatically return to the DI rolls if their earnings sink below substantial gainful activity (SGA, now defined in regulation as $700 per month). Furthermore, Medicare benefits (for which DI beneficiaries qualify after two years on the rolls) also continue for three years even if cash benefits are suspended. Medicare coverage then stops unless the worker pays a steep premium (up to $309 a month in 1999).

The SSI disability program is restricted to people with low income and few resources. Although applicants for SSI benefits must meet the same disability criteria as in the DI program, the SSI program's subsequent treatment of earnings differs. SSI recipients who work get a reduced benefit (essentially, losing $1 of benefits for each $2 of earnings over $85 a month) but may not have to give up their benefit entirely. If their earnings top SGA but they are still medically disabled, they move into section 1619(a) status and still collect a small cash benefit. If their earnings rise further, they enter 1619(b) status, under which they collect no cash benefit but retain Medicaid. If their incomes are too high even for the 1619(b) program, they may still enroll in Medicaid if their state offers a buy-in program permitted by the Balanced Budget Act of 1997 (BBA).

Both DI and SSI recipients are evaluated at the time of award for their potential to go back to work. Sketchy data suggest that the current VR program serves only a small fraction of DI and SSI recipients. Approximately 10 percent to 15 percent of new DI and SSI recipients are referred to state VR agencies; although SSA does not track what happens to them next, scattered clues suggest that about 10 percent of those referred are accepted. If the beneficiary completes nine months of employment at SGA, the VR provider is reimbursed by the Social Security Administration (SSA). Recently, SSA has made approximately 650,000 DI awards a year; therefore, around 7,000 to 8,000 probably received VR services. SSA pays about 6,000 claims per year for VR services provided to DI recipients. SSA also pays about 6,000 claims for VR services to SSI recipients. Since about 3,000 claims are for people who collect benefits under both programs, total claims reimbursed are about 9,000 a year.

In 1996, SSA began recruiting alternate providers under the Referral System for Vocational Rehabilitation Providers (RSVP) program. Candidates for this program must first be referred to and rejected by the state VR agencies, and the alternate providers face the same reimbursement system (that is, a single payment after nine months of substantial work). Thus, VR for DI and SSI recipients remains fundamentally a state program.

Some DI and SSI recipients return to work without the help of VR agencies. Research suggests that only 10 percent to 20 percent of DI recipients ever work after they start collecting benefits, and only 2 percent to 3 percent eventually have benefits withheld because of earnings. SSA reimburses claims for VR services for about 1 percent of recipients. Thus, for each VR success, one or two other DI recipients go back to work and are suspended from the rolls without VR.

In both the DI and SSI programs, recipients are reviewed periodically to verify that they are still disabled. These Continuing Disability Reviews (CDRs) are scheduled according to SSA's assessment of the likelihood of improvement. If medical improvement is judged by SSA to be possible, the cycle calls for a review every three years. (Those beneficiaries thought likely to improve are reviewed more often, and those unlikely to improve less often.) If the CDR results in a finding that the beneficiary is no longer disabled, cash and medical benefits stop. A CDR can also be triggered by a report of earnings.

Ticket to Work and Self-Sufficiency Program and Related Provisions (Title I)

Tickets to Work and Self-Sufficiency. Title I would change the way that VR services are provided to recipients of DI and SSI benefits. It would permit nearly any recipient who desires VR to receive it, allow clients to choose from a variety of providers in addition to state VR agencies, and stretch out reimbursements to providers for up to five years, contingent on their clients' sustained absence from the DI or SSI rolls.

Under H.R. 1180, SSA would issue tickets to DI and SSI beneficiaries that they could assign to approved VR providers, whether state, private for-profit, or nonprofit. The act would grant wide latitude to SSA in deciding the terms and conditions of the tickets: SSA tentatively plans to issue tickets to new beneficiaries at the time of award, unless they are deemed likely to recover, and to current beneficiaries after a CDR. By accepting a ticket, providers—labeled "networks" in the act—would agree to supply services, such as training, assistive technology, physical therapy, or placement. A program manager, selected by SSA, would aid in recruiting providers and administering the program.

Providers could choose between two forms of reimbursement from SSA. One system would be based solely on outcomes; the provider would receive incentive payments equal to 40 percent of the average DI or SSI benefit for up to five years, so long as the client stayed off the rolls. Some providers fear, though, that they would experience cash-flow problems under such a system. To address that concern, the act also offers a blended system, called the "milestones-outcome" system. Under that system, SSA would make some payments earlier, but would trim subsequent incentive payments to ensure that the overall cost (calculated on a net present value basis) did not exceed the cost of a pure outcomes system.

The new program would be phased in gradually. H.R. 1180 calls for it to start in selected areas a year after enactment and to operate nationwide three years after that.

CBO estimates that about 7 percent of new beneficiaries would seek VR services if they were readily available, versus only about 1 percent who receive them under current law. The results of both the Transitional Employment Demonstration (TED, a demonstration conducted in the mid-1980s and confined to mentally retarded recipients) and Project Network (a demonstration begun in 1992 and open to both DI and SSI beneficiaries) suggest that about 5 percent of beneficiaries would enroll in VR if given the chance. CBO judged that the level of interest ultimately would slightly exceed 5 percent for two reasons. First, intake under Project Network developed bottlenecks, which may have discouraged some potential participants. Second, Project Network barred any recipients who were employed or self-employed from enrolling. No such bar would exist under H.R. 1180, however, and such recipients would probably be interested in receiving services and would be attractive to providers.

Research suggests that getting VR raises the propensity to work and thus the chances for an earnings-related suspension of DI or SSI benefits. But the handful of beneficiaries who would sign up for VR are probably the most motivated, and many would have worked anyway. In fact, CBO believes that one effect of H.R. 1180 would be to enable providers to be reimbursed for providing services to many people who would have worked anyway.

These projected effects of H.R. 1180 can be illustrated by considering the experiences of one hypothetical cohort of 650,000 new DI beneficiaries. Under current law, about 7,800 might be served under the state VR programs; 6,100 of them would eventually generate a reimbursement by SSA and their DI benefits would be suspended for at least a month. Benefits for another 8,300 would be suspended due to earnings, for at least one month, without any reimbursement to VR. Thus, total suspensions would be about 14,400, or about 2 percent of the cohort, under current law. CBO estimates that, if those beneficiaries could freely enroll in VR using a ticket, about 7 percent or 47,000 would get VR services. Most of those VR clients would work, and many (about 13,400) would have their benefits suspended for at least one month, an increase of 7,300 in VR-reimbursed cases. However, CBO estimates that about 80 percent of these workers, or about 5,900, would have gone back to work unaided. Thus, for this cohort, net suspensions would be about 1,400 higher under H.R. 1180.

In estimating the impact of H.R. 1180, CBO adjusted those hypothetical figures for timing factors and projected changes in caseloads. First, CBO projects that the volume of disabled-worker awards will gradually climb from 650,000 in 2000 to about 890,000 in 2009. That increase reflects the aging of the baby-boom generation into its high-disability years and the scheduled increases in Social Security's normal retirement age. Second, CBO assumed that some extra rehabilitations would occur among the nearly 5 million people now on the DI rolls, not just among new awards, although current beneficiaries are generally poorer candidates for VR than new applicants with more recent work experience. Third, CBO adjusted the numbers for the gradual phase-in of the new system. Under the act's schedule, assuming enactment by December 1999, the first services would be rendered at a handful of sites in fiscal year 2001. If those clients engaged in trial work in 2002, the first extra suspensions would occur in 2003.

Specifically, CBO estimates that the number of net additional suspensions of DI benefits—that is, suspensions that would not occur in the absence of the new program—would be 500 in 2003, 2,200 in 2004, and an average of 4,100 annually between 2005 and 2009. Gross suspensions that involve reimbursement to a VR provider would climb gradually from 6,000 to 8,000 a year under current law, but would be markedly higher—about 17,000 in 2009, double the current-law estimate—under the proposal. And the number of suspensions involving no reimbursement to VR would fall.

CBO also had to make assumptions about recidivism. Many studies have documented that DI recipients who leave the rolls tend to return. It is not clear whether recipients of VR services are more or less likely to return to the rolls than others; some evidence suggests that the extra boost provided by VR fades over time. Because H.R. 1180 would pay providers for up to five years, but only if the recipient stays off the rolls, assumptions about recidivism are crucial. Based on a variety of sources, CBO assumes that recipients suspended from the rolls have about a two-thirds chance of still being suspended one year later, about a one-half chance three years later (when, technically, their DI entitlement is terminated), and a 40 percent chance after five years.

Effects of the Tickets Program on DI. The budgetary consequences of H.R. 1180, from the standpoint of the DI program, are detailed in Table 3 and would consist of six effects.

- <u>Milestone payments to VR providers</u>. As explained earlier, the act would give providers a choice between a pure outcome-based system (in which providers would get periodic payments only during the period of suspension) and a blended outcome-milestone system (in which they could get some money earlier). CBO expects that most providers would opt for the blended system, which CBO assumes to consist of a $500 payment after several months of work and a $1,000 bonus on the date of suspension. Placements would be considerably easier for providers to achieve than suspensions. The first milestone payments would be made in 2002 but would be very small. They would grow steadily thereafter; in 2009, for example, CBO estimates that—with about 65,000 people a year receiving rehabilitation services—about 45,000 would find employment and generate a payment of $500 for their VR provider, and 15,500 would be suspended, at least briefly, from cash benefits, generating $1,000 for their provider. CBO estimates that milestone payments in that year would total $39 million.

TABLE 3. ESTIMATED EFFECTS ON DIRECT SPENDING OF THE TICKET TO WORK AND SELF-SUFFICIENCY PROGRAM

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
DI Beneficiaries										
Milestone Payments to VR Providers	0	a	1	6	14	22	26	29	34	39
Incentive Payments to VR Providers	0	a	a	3	15	33	59	81	107	134
Partial Repeal of Current VR System	0	a	a	-4	-13	-22	-33	-50	-70	-91
DI Benefits Avoided	0	a	a	-5	-25	-59	-104	-122	-138	-152
Extra DI Benefits Paid	0	a	1	2	3	5	8	11	14	18
Total, DI	0	a	2	3	-5	-21	-45	-51	-52	-53
Medicare Savings [b]	0	0	a	a	1	1	1	-3	-11	-25
SSI Beneficiaries										
Milestone Payments to VR Providers	0	a	1	3	7	11	13	14	17	19
Incentive Payments to VR Providers	0	a	a	1	4	9	15	21	28	35
Partial Repeal of Current VR System	0	a	a	-2	-6	-11	-17	-25	-35	-45
SSI Benefits Avoided	0	a	a	-1	-7	-16	-27	-32	-36	-40
Extra SSI Benefits Paid	0	0	0	0	0	0	0	0	0	0
Total, SSI	0	a	1	1	-2	-7	-16	-22	-27	-32

Notes: Components may not sum to totals due to rounding.

DI = Disability Insurance, SSI = Supplemental Security Income, VR = Vocational Rehabilitation.

a. Less than $500,000.

b. Negative amounts reflect Medicare savings for individuals whose DI benefits are suspended as the result of rehabilitation. They reflect the current-law provision under which Medicare eligibility ends three years after the former DI recipient has completed trial work. Title II of the act would extend Medicare coverage to these beneficiaries for another four and a half years, and the impact of that extension is shown elsewhere.

- Incentive payments to VR providers. The incentive payments would occur over a period of up to five years if the beneficiary remained off the rolls. In the pure outcomes system, incentive payments would be 40 percent of average benefits. CBO assumes that most providers would opt for the blended payment system, under which—in return for getting some earlier milestone payments—they would accept incentive payments of 30 percent. CBO's assumption about recidivism becomes crucial here. By 2009, the benefits of about 59,000 ticket-users would have been initially suspended in the last five years, potentially generating incentive payments for their providers. But 20,000 of those 59,000 are assumed to have returned to the DI rolls. At 30 percent of an average benefit (about $945 a month), the other 39,000 people would generate $134 million in incentive payments to their VR providers.

- Partial repeal of current VR system. CBO estimates that, under current law, the DI trust fund would reimburse about 6,000 claims for VR services in 2000 (at an average cost of about $11,500) and about 8,000 in 2009 (at an average cost of about $14,500). The new program would gradually replace the current system. Even by 2009, some vestiges of the current system would probably remain; although H.R. 1180 calls for the new system to be in place nationwide by 2004, that timetable may not be met. Furthermore, under H.R. 1180, state VR agencies—but not private providers—would be allowed to retain the current system of reimbursement. Therefore, CBO estimates that in 2009 about $91 million, or about 80 percent of the money expected to be spent on VR under current law, would be saved.

- DI benefits avoided. The various payments to providers discussed above all depend on the number of gross rehabilitations. The savings in DI benefits, in contrast, depend on the number of net or extra rehabilitations. That distinction is important: when providers serve clients who would have worked and eventually been suspended anyway, they do not generate savings in DI benefits.

  Over the 2003-2009 period, CBO estimates that there would be a total of 64,000 gross rehabilitations of ticket-holders, of which only 23,000 would represent extra rehabilitations. Under CBO's assumptions about recidivism, about 13,000 of those 23,000 would still be off the rolls in 2009; at an average benefit of about $945 a month, $152 million in benefit savings would result.

- Extra DI benefits paid. Some people might file for DI benefits in order to get VR services and the other benefit enhancements provided under H.R. 1180. They may even be encouraged to do so by prospective providers (for instance, by an insurance company that helps to run their employer's private disability or workers' compensation coverage). For those induced filers, the entire benefit cost (for any time they spend on the rolls) and the VR cost (if they generate either milestone or incentive payments for their providers) would be a net cost to the DI program.

  To some extent, SSA could minimize this problem by setting the terms and conditions under which it would issue tickets—for example, by denying them to beneficiaries who are expected to recover medically. But some such filers might still qualify. By 2009, CBO assumes that about 1,600 such induced filers would be collecting DI benefits, leading to extra costs of $18 million in that year.

- Resulting Medicare savings. DI recipients who return to work continue to receive Medicare coverage for three years after their suspension from DI. By leading to the rehabilitation and suspension of more DI recipients, H.R. 1180 would generate some savings in Medicare. DI beneficiaries who are capable of working are probably healthier than other beneficiaries, and their per-capita Medicare cost therefore less than average.

  Under CBO's assumption that the first services would be rendered in 2001 and the first resulting suspensions in 2003, small Medicare savings would begin three years later, in 2006. By 2009, almost 13,000 extra suspensions would have occurred over the 2003-2006 period, the only group for whom the three-year EPE would have expired. Of those, 5,700 would still be off the DI rolls, and $35 million in Medicare savings would result.

  Although these Medicare savings would result if the Ticket to Work and Self-Sufficiency Program were enacted in isolation, elsewhere H.R. 1180 would give four and a half years of extra Medicare coverage to all beneficiaries who complete an EPE. Therefore, these Medicare savings would be offset by the cost of that provision, which is shown under title II.

  These savings would be partly offset by the costs—estimated by CBO to be $10 million by 2009—attributable to induced filers who stay on DI for two years, long enough to qualify for Medicare.

On balance, over the 2000-2004 period, CBO estimates a negligible net cost in the DI program from the tickets program, because of startup costs and small payments to induced filers. Later, CBO foresees net savings in the vicinity of $50 million a year, because the savings in DI benefits from extra suspensions would slightly outweigh the costs of paying for additional VR services (see Table 3).

Effects of the Tickets Program on SSI. H.R. 1180 would also bring SSI participants into the new ticket to work program. CBO estimated the effects on the SSI program in a manner similar to the way it developed its estimates for DI, with a few notable differences.

The number of SSI recipients affected by the act is generally estimated to be only half as many as in DI. Under current law, SSA pays for about 9,000 rehabilitations a year—6,000 in DI and 6,000 in SSI, of which 3,000 are concurrent. Under the act, services rendered by providers to concurrent beneficiaries would essentially be compensated under the DI rules. Thus, to avoid double-counting concurrent beneficiaries, CBO generally assumed only half as many cases in its SSI estimates as in the analogous DI estimates.

Average benefits for disabled SSI beneficiaries are also only about half as large as in the DI program—in 2003, for example, about $425 in SSI versus $825 in DI. Therefore, all payments under the proposed system that would be pegged to the average benefit, such as the incentive payments to providers, would be smaller for SSI. In fact, that provision has aroused concern that providers would be less willing to provide services to the SSI population. CBO assumes that providers would nevertheless serve this group, perhaps emphasizing cheaper services with repeated interventions if necessary.

Because SSI is limited to beneficiaries with low income and few resources, CBO expects that there would be few induced filers. CBO also assumed that most SSI beneficiaries affected by the act would retain Medicaid coverage through section 1619(b).

The pattern of the projected budgetary impact of H.R. 1180 on the SSI program resembles that for DI: small early costs, giving way to growing savings after 2003.

Ban on Work CDRs for Certain DI Beneficiaries. Beginning in January 2002, the act would bar so-called work CDRs if the beneficiary has been on the rolls for more than 24 months. Work CDRs are triggered by a report of earnings. Beneficiaries would still be subject to regularly scheduled periodic CDRs.

SSA conducts approximately 80,000 work CDRs a year. CBO estimates that about 1,500 people whose benefits would otherwise be terminated would benefit from this provision. Assuming that they are, on average, halfway between periodic CDRs scheduled at three-year intervals, they would get an extra 18 months of benefits. When fully effective, the provision is expected to lead to annual DI costs of about $25 million and Medicare costs of about $10 million. Eliminating the work CDRs would save SSA about $10 million a year in administrative costs, which are subject to annual appropriation.

Expedited Reinstatement of DI Benefits. The act would provide expedited reinstatement of benefits for former DI recipients whose benefits were terminated because of earnings in the last 60 months. Under current law, the usual five-month waiting period is waived for such former recipients if they seek benefits, but their application is judged no differently from one filed by someone who has never been on the rolls. H.R. 1180 would alter that by stipulating that benefits must be awarded unless SSA can demonstrate that the applicant's medical condition has improved. H.R. 1180 would also provide for automatic payment of up to five months of provisional benefits while the request for reinstatement is under consideration. Generally, those provisional payments would not be subject to recoupment even if the request is ultimately denied. CBO estimates that these liberalized procedures would tip the decision in up to a hundred cases each year, costing about $6 million in DI benefits and $3 million in Medicare expenditures by 2009.

Expanded Availability of Health Care Services (Title II)

Title II of H.R. 1180 would increase direct spending by about $0.3 billion over the 2000-2004 period and by about $1.3 billion over the 2000-2009 period through policies that would expand the availability of health care services. It would grant states options to raise income and asset limits in the Medicaid program for the working disabled and to extend Medicaid for people whose disability benefits have ended because of medical improvement. It would lengthen Medicare coverage for DI recipients who return to work. Title II would also provide funding for grants to states to develop infrastructure to assist the working disabled and to establish demonstration projects to provide Medicaid benefits to workers with severe impairments who are otherwise likely to become disabled enough to qualify for cash benefits. All provisions would take effect on October 1, 2000.

State Option to Eliminate Income, Resource, and Asset Limitations for Medicaid Buy-In. Section 201 of H.R. 1180 would amend Medicaid law to allow states to raise certain income, asset, and resource ceilings for workers with disabilities who buy into Medicaid. This policy, combined with the incentives created by grants and demonstration projects (discussed below), would induce some states to expand Medicaid to include the working disabled and would marginally increase enrollment in those states that would have covered them anyway, resulting in increased spending of about $50 million over five years (see Table 2).

Under current law, states have the option of extending Medicaid coverage to certain workers with disabilities with incomes under 250 percent of poverty. This option was created in the Balanced Budget Act of 1997 (BBA) and to date, a few states have approval to implement it. Based on discussions with state officials, CBO assumes that one-quarter of the states will develop small expansion programs that will provide Medicaid to about 1,200 disabled individuals.

Under H.R. 1180, CBO assumes that most of the states adopting the existing BBA buy-in either would revise their plans to raise certain income, asset and resource limitations beyond the 250 percent limit or would experience increased enrollment as more people were encouraged to apply. As a result, the number of people enrolled under the existing BBA option would increase. CBO also assumes that about 10 additional states would institute buy-in programs in response to their citizens' wishes. In total, CBO calculates that Medicaid enrollment would increase by about 1,500 people on an average annual basis.

The estimated federal share of Medicaid benefits for the working disabled population is about $6,500 per capita in fiscal year 2000 and about $9,000 per capita in 2004. States would also incur administrative costs for expanding Medicaid to include the working disabled population. Beneficiaries would pay cost-sharing amounting to an estimated

5 percent of the total cost of the benefits. The resulting net increase in federal spending attributable to this policy would be about $50 million over five years and $140 million over 10 years.

State Option to Extend Medicaid Buy-In to Participants Whose DI or SSI Benefits are Terminated After a CDR. Section 201 would also permit states to extend Medicaid coverage to the working disabled who lose SSI or DI due to medical improvement, as established at a regularly scheduled CDR, yet still have conditions that constitute a "severe medically determinable impairment." CBO assumes that about one-half of the states that institute a Medicaid buy-in program would take up this option, adding an estimated 5 percent to the buy-in population in those states. As a result, federal Medicaid spending would increase by about $10 million over five years and $40 million over 10 years.

Extension of Medicare for Former DI Beneficiaries . Section 202 of H.R. 1180 would allow those who complete their EPE in October 2000 or later to receive an extra four and a half years of Medicare benefits without having to pay any Part A premium. Enrollees would pay the ordinary Part B premium (currently $45.50 a month). That would bring the total period of extended Medicare, after suspension of cash benefits, to seven and a half years. CBO estimates that the cost of this provision would be $10 million in 2000 and would grow to $178 million by 2009.

About 15,000 people start an EPE each year, and about 6,000 finish one. These numbers are expected to climb gradually with the growth in DI caseloads and with the extra work efforts spurred by the VR provisions of this act. H.R. 1180 would provide Medicare coverage to people who otherwise would lose it at the end of the EPE. CBO estimates that an extra 21,000 people would gain Medicare eligibility in 2004, the fourth year of the provision. By 2009, that figure would grow to 35,000. CBO assumes that the per capita cost for those beneficiaries is about one-half the cost for an average disabled beneficiary, reflecting the likelihood that they are somewhat healthier than other disabled beneficiaries and that some might gain employer-sponsored insurance and rely on Medicare as a secondary payor.

Infrastructure Grants to States. Section 203 would make available grants to develop and establish states' capacity for providing services to workers with disabilities. The act would appropriate $20 million in 2001, $25 million in 2002, $30 million in 2003, $35 million in 2004, and $40 million in 2005. The amount would then be indexed to the consumer price index (CPI-U) through 2010. If the state has elected the existing BBA buy-in option, it is subject to a ceiling on its grant amount that would be limited to 10 percent of the state's total federal and state spending; otherwise, the state would be subject to proportional limits established by the Secretary. Funds not used would remain available for allocation to states in future years. Based on CBO's estimate of spending under the Medicaid buy-ins, the limitation would hold spending levels to only about $5 million annually; five-year costs would be $14 million and 10-year costs would be $43 million.

Health Care Demonstration Project. Under section 204, states would also be eligible for grants to pay for certain demonstration projects administered by the Department of Health and Human Services. Those projects would provide Medicaid benefits to working persons with physical or mental impairments who could become blind or disabled without such coverage. (Under current law, those people would be ineligible for Medicaid benefits because their health conditions are not yet severe enough to meet the DI or SSI definition of disability.) The act would appropriate a total of $250 million over six fiscal years, 2001 through 2006. No payments could be made by the federal government after fiscal year 2009. CBO estimates that outlays would total $115 million over the 2000-2004 period and $250 million over the 2000-2009 period.

Demonstration Projects and Studies (Title III)

Extension of DI Demonstration Project Authority. SSA previously had the authority to conduct certain research and demonstration projects that occasionally require waivers of provisions of title II of the Social Security Act. That waiver authority expired on June 10, 1996. This act would extend it for five years from enactment. This general waiver authority should not be confused with the so-called $1-for-$2 demonstrations in the next section; those demonstrations are costlier and longer-lasting than the modest projects that SSA would likely conduct on its own initiative.

When the waiver authority has been in effect, SSA has generally spent between $2 million and $4 million annually on the affected projects. CBO judges that the proposed extension would lead to extra outlays of between $3 million and $5 million a year over the 2000-2005 period.

$1-for-$2 Demonstration Projects. Under current law, after completing the TWP and the three-month grace period during which earnings are disregarded, a disabled worker gives up his or her entire DI benefit in any month in which earnings exceed SGA. Both anecdotal and statistical evidence suggest that many beneficiaries balk at that, instead quitting work or holding their earnings just below the threshold.

H.R. 1180 would require SSA to conduct demonstrations to test the effects of a $1 reduction in benefits for each $2 of earnings over thresholds to be set by the agency. It would require that SSA conduct the demonstrations on a wide enough scale, and for a long enough period, to permit valid analysis of the results. CBO assumed that, to meet those criteria, the demonstrations would have to include perhaps half a dozen small states, that the intake phase of the project would have to last three or four years to permit observation of induced filers, and that the incentives themselves would have to be promised to the beneficiaries for an indefinite period.

The gradual phasing out of DI benefits as earnings rise would probably encourage some people who are already on the DI rolls to start work or increase their hours of work. Although fewer beneficiaries would be suspended (i.e., have their benefit reduced to zero), many might have their benefit substantially reduced, leading to DI savings. But such a change could also encourage others to file for DI benefits. Survey data suggest that there are millions of severely impaired people who are nevertheless working and not collecting DI. Filing for benefits, and working part-time, might improve their standard of living, especially if the DI program liberalized its treatment of earnings. In 1994, SSA's Office of the Actuary estimated that applying a $1-for-$2 policy for earnings above $500 (then the definition of SGA) would cost $5 billion in extra DI benefits over a five-year period and that setting the threshold at $85 (as in the SSI program) would cost $2 billion.

Because the demonstrations would pose formidable issues of design and administration, CBO assumes they would not begin until 2002. CBO also assumes that the demonstrations would be conducted in areas with and without the tickets to work and self-sufficiency, to distinguish the effects of the incentives from the effects of the new VR program. CBO also assumes that both variants—setting the threshold at SGA and setting it at $85—would be tested. Even a relatively small-scale demonstration might thereby apply to approximately 2 percent to 3 percent of the nation. Applying that percentage to the DI benefit costs suggested by the Actuaries' 1994 memo implies that the demonstrations would, after intake is complete, cost almost $20 million a year in extra DI benefits. They would also lead to slightly higher Medicare costs, since the induced filers would qualify for Medicare after two years on the DI rolls. In sum, extra benefits under the two programs would reach nearly $30 million by 2009.

CBO assumes that running the demonstrations and collecting and analyzing data would be handled by an expert contractor, at a cost of several million dollars a year. That cost would come from SSA's administrative budget, which is subject to appropriation action.

Miscellaneous and Technical Amendments (Title IV)

Eight of the 13 sections of title IV would affect direct spending or revenues. The remaining five contain technical corrections to the Social Security Act or substantive provisions—such as a delay in proposed regulations governing organ transplants and award of a contract to study climate change—that CBO judges would not affect direct spending.

Provisions Affecting Prisoners. H.R. 1180 would tighten restrictions on the payment of Social Security benefits to prisoners. Current law sets strict limits on the payment of SSI benefits to incarcerated people and milder limits on payments of OASDI. SSI recipients who are in prison for an entire month—regardless of whether they are convicted—have their benefits suspended while they are incarcerated. OASDI recipients who have been convicted of an offense carrying a maximum sentence of one year or more have their benefits suspended. Those who are convicted of lesser crimes, and those who are in jail awaiting trial, may still collect OASDI benefits. Those provisions are enforced chiefly by an exchange of computerized data between SSA and the Federal Bureau of Prisons, state prisons, and some county jails. Those agreements are voluntary and, until recently, involved no payments to the institutions.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 changed that arrangement by directing SSA to pay institutions for reporting information that leads to the identification of ineligible SSI recipients. The payment is $400 if the institution reports information within 30 days of confinement and $200 if the report is made 30 to 90 days after confinement. The law also exempts matching agreements between SSA and correctional institutions from certain provisions of the Privacy Act.

H.R. 1180 would establish analogous arrangements for the OASDI program. It would also drop the requirement that OASDI benefits be suspended only if the maximum sentence for the offense is one year or more. (A conviction would still be required; inmates who are in jail while they await trial could continue to collect benefits. Furthermore, those whose total confinement is 30 days or fewer would be exempt.) CBO estimated the effects of this provision, like its predecessor in the welfare reform law, by analyzing data from several sources that suggest about 4 percent to 5 percent of prisoners were receiving Social Security benefits, SSI benefits, or both before incarceration. Reports from SSA's Inspector General showed that some of those prisoners were overlooked under matching arrangements either because their institution had not signed an agreement, had not renewed it promptly, or did not submit data on schedule.

CBO estimates that, over the 2000-2009 period, the provisions of H.R. 1180 would lead to payments of $85 million to correctional institutions out of the OASDI trust funds and benefit savings of almost $300 million, for a net saving of about $215 million. CBO also expects that the broader arrangement, by doubling the potential payments, would encourage more jailers to submit information accurately and promptly and would therefore lead to net savings in the SSI program of about $85 million over the 10-year period.

Open Season for Clergy to Join Social Security. Subsection 1402(e) of the Internal Revenue Code allows certain clergy to exempt the self-employment income from their ministry from Social Security and Medicare taxes. Under current law, such an exemption is irrevocable.

Section 403 of H.R. 1180 would allow clergy who have received an exemption a two-year opportunity to revoke that exemption beginning in calendar year 2000. Similar opportunities were offered in 1978 and 1987. Based on those experiences, CBO estimates that 3,500 taxpayers would revoke their exemptions, and that the average new enrollee would have about $20,000 of self-employment income. (Income tax revenue would decrease slightly, since a portion of payroll taxes is deductible for income tax purposes.) CBO estimates that, from 2000 through 2009, off-budget revenues would increase by $87 million, and on-budget revenues would increase by $10 million.

Those taxpayers who revoke their exemption would eventually receive higher Social Security benefits, but that effect would mostly occur in years beyond the 10-year estimation period. CBO estimates that outlays would increase by just $4 million during the 2000-2009 period.

Collection of Processing Fees from Attorneys. Every year, SSA's Office of Hearings and Appeals (OHA) weighs the cases of nearly 400,000 people whose applications for DI have been denied at a lower level. (OHA also hears appeals from rejected SSI claimants and a handful of cases from Social Security's retirement and survivor programs.) OHA's administrative law judges grant benefits to about 60 percent of those claimants, two-thirds of whom are represented by an attorney. By the time the case is decided, a typical claimant is entitled to a check amounting to 12 to 24 months of retroactive benefits. When the attorney and client have consented, SSA withholds attorney fees from that lump-sum check and remits them to the attorney. Maximum attorney fees are $4,000, and the average fee is about $2,600.

H.R. 1180 would require SSA to levy a charge for the staff time it devotes to determining and processing attorney fees. SSA would charge 6.3 percent of the fee, or about $165 in a typical case. SSA would begin deducting the charge in January 2000. Assuming that about 150,000 successful DI claimants are represented by attorneys each year, the charge would yield about $25 million a year when fully effective.

Expansion of Medicaid Anti-Fraud Authority. H.R. 1180 would expand the authority of state Medicaid Fraud Control Units (MFCUs) in two ways. First, it would explicitly allow MFCUs to investigate and prosecute fraud in federal health care programs other than Medicaid if the suspected fraud is primarily related to Medicaid and the MFCU receives approval from the appropriate federal agency. Funds collected as the result of such investigations would be credited to the relevant federal health care program. Second, the provision would allow states to review complaints of abuse or neglect of patients who reside in board and care facilities.

CBO estimates that this provision would result in savings to Medicare of $5 million a year, once it is fully phased in, because MFCUs would recover somewhat larger amounts of restitution for Medicare fraud than they do under current law. Other federal health programs would also receive more restitution, but CBO estimates these amounts to be less than $500,000 each year. To the extent that states choose to investigate abuse and neglect in board and care facilities, MFCU expenses could be higher, but CBO expects that most of these investigations would be undertaken with current resources so that increased costs to Medicaid would be negligible.

Change in Lender Yields on Student Loans. The federal government guarantees private lenders participating in the student loan program a minimum yield on the loans they issue. When the guaranteed yield is higher than the interest rate paid by the borrower, the federal government pays the difference.

Under current law, before July 1, 2003, the guaranteed yields are based on the bond equivalency of the 91-day Treasury bill rate. For student loans, the yield is the bond equivalency of the 91-day Treasury bill rate plus 2.20 percentage points (while the borrower is in school, during the six-month grace period after he or she leaves school, and during any authorized deferment periods such as when the borrower is in graduate school or experiencing economic hardship), or 2.80 percentage points (while the borrower is repaying the loan). Lender yields on parent and consolidated loans are the bond equivalency of the 91-day Treasury bill rate plus 3.10 percentage points.

H.R. 1180 would change the yield on new loans issued between January 1, 2000, and July 1, 2003. Under this act, yields would be based on the 3-month commercial paper rate. For student loans, the yield would be the 3-month commercial paper rate plus 1.74 percentage points (while the borrower is in school, grace, or deferment) or 2.34 percentage points (while the borrower is repaying the loan). Lender yields on parent and consolidated loans would be the 3-month commercial paper rate plus 2.64 percentage points. H.R. 1180 would leave the current interest rate structure for borrowers unchanged.

Changes affecting the student loan program are assessed under the requirements of the Federal Credit Reform Act of 1990. Thus, the budget records all the costs and collections associated with a new loan on a present-value basis in the year the loan is obligated. The costs of all changes affecting outstanding loans are displayed in the year of enactment.

Under the current CBO forecast of interest rates, the yields set by H.R. 1180 using the commercial paper rate would differ slightly from the yields under current law, based on the 91-day Treasury bill rate. CBO estimates that this change would have a negligible federal cost in 2000, but save $20 million over the 2001-2003 period. Over this time period, approximately $80 billion in new loans will be issued by private lenders and guaranteed by the federal government.

Reduction in Required Amounts of Purchased Commodities in the Child Nutrition Program. The federal government provides both cash reimbursement and commodity assistance for each meal served under the National School Lunch program. A 1994 law required that a minimum of 12 percent of the total cash and commodity assistance provided in the program be in the form of commodities, and the Department of Agriculture is required to purchase the commodities necessary to meet this requirement. H.R. 1180 would extend a temporary provision, slated to expire after 2000, that requires the value of bonus commodities (those purchased by the Department of Agriculture to remove surpluses or support prices, and then donated to the school lunch program) to be included in determining whether the 12 percent floor has been reached. CBO estimates that about $55 million of bonus commodities will be donated each year, so that purchases of commodities for the purpose of meeting the 12 percent minimum would decline by about the same amount.

Clarification of the Definition of a Foster Child for Purposes of the Earned Income Credit (EIC). H.R. 1180 would clarify the definition of a foster child for purposes of the EIC, a program that reduces income taxes for the working poor. A foster child would be defined explicitly as the foster parent's sibling, niece or nephew, or a child placed in the home by a government agency or a licensed, tax-exempt agency, and who resides with the taxpayer for the full year. Under current law, there is no requirement that the child be related to the foster parent or placed by an agency. The Joint Committee on Taxation estimates that this provision would reduce the costs of the EIC and thus add to the surplus by about $40 million a year when fully effective.

Speedup in State Reimbursements for SSI Supplements. SSA currently administers supplemental SSI payments for 26 states and the District of Columbia. Those supplements amounted to about $3.2 billion in 1999. These states reimburse SSA each month for any benefits paid and also pay a processing fee. Current law requires states to reimburse SSA within five business days after benefits are paid, which is generally on the first of each month.

This act would require states to reimburse SSA by the business day before benefits are paid, starting in October 2009. As a result, states would reimburse SSA for October 2009 benefits by September 30, 2009. CBO estimates that this provision would increase reimbursements, which are considered offsetting receipts, by $255 million in 2009.

Tax Relief Extension Act of 1999 (Title V)

Provisions Affecting Revenues. Title V contains numerous provisions that affect revenues. The Joint Committee on Taxation estimated the budgetary impact of all those provisions, except the renewal of the Generalized System of Preference (GSP), the increase in the share of receipts from the excise tax on rum that is allocated to Puerto Rico and the Virgin Islands, and the change in the list of taxable vaccines (outlay effects only). The title's budgetary effects, by subtitle, are summarized in Table 4.[1]

Subtitle A of the Tax Relief Extension Act of 1999 would extend certain tax provisions that have recently expired or would have expired, including:

- The treatment of nonrefundable personal credits under the Alternative Individual Minimum Credit through December 31, 2001,
- The research and experimentation tax credit with modifications through June 30, 2004,
- The exemption from Subpart F for active financing income through December 31, 2001,
- The taxable income limit on percentage depletion for marginal properties through December 31, 2001,
- The work opportunity tax credit and the welfare-to-work tax credit through December 31, 2001,
- The exclusion of employer-provided educational assistance from the definition of wages through December 31, 2001,
- The tax credit for producing electricity from certain renewable resources through December 31, 2001,
- The Generalized System of Preferences through December 31, 2001,
- The qualified zone academy bond program through December 31, 2001,

1. For estimates of particular provisions, see the website of the Joint Committee on Taxation (www.house.gov/jct).

TABLE 4. ESTIMATED BUDGETARY EFFECTS OF TITLE V OF H.R. 1180

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Extension of Expiring Provisions (Subtitle A)										
Social Security revenues (off-budget)[a]	-50	-119	-49	0	0	0	0	0	0	0
Other revenues (on-budget)	-1,983	-4,499	-6,363	-2,820	-2,385	-1,435	-777	-448	-212	-86
Other Provisions (Subtitle B)	4	7	9	10	10	10	10	10	10	11
Revenue Offsets (Subtitle C)	2,094	1,640	-1,757	413	206	120	87	49	32	11
Total	65	-2,971	-8,160	-2,397	-2,169	-1,305	-680	-389	-170	-64
Outlays										
Increase Amount of Rum Excise Tax Cover-over (Subtitle A)										
Payments to territories	20	115	15	0	0	0	0	0	0	0
Add Streptococcus Pneumoniae Vaccine to List of Taxable Vaccines (Subtitle B)										
Medicaid	2	4	5	5	5	5	5	5	5	5
Vaccine injury compensation	b	b	1	1	2	2	2	2	2	2
Total	22	119	21	6	7	7	7	7	7	7

a. The change in Social Security revenues would result from extending the tax-free treatment of certain employer-provided educational assistance.

b. Less than $500,000.

- The $5,000 tax credit for first-time home buyers in the District of Columbia through December 31, 2001, and

- The expensing of environmental remediation costs through December 31, 2001.

Subtitle B and C of the act would amend certain existing tax laws in order to:

- Add vaccines against streptococcus pneumoniae to the list of taxable vaccines,
- Modify the individual estimated tax safe harbor to 108.6 percent for tax year 2000 and 110 percent for tax year 2001,
- Require information reporting on the cancellation of indebtedness by non-bank financial institutions,
- Prevent the conversion of ordinary income or short-term capital gains into income eligible for long-term capital gains,
- Allow employers to transfer excess assets in defined benefit plans to a special account for health benefits of retirees through December 31, 2005,
- Repeal the installment method for most accrual basis taxpayers,
- Change the tax treatment of distributions by a partnership to a corporate partner of stock in another corporation, and
- Modify the tax treatment of real estate investment trusts (REITs), including taxable REIT subsidiaries and health care REITs.

The act would renew GSP, which expired on June 30, 1999, through fiscal year 2001. Taxpayers could apply for refunds for the period since July 1. GSP affords nonreciprocal tariff preferences to approximately 140 developing countries to aid their economic development and to diversify and expand their production and exports. Generally, duty-free treatment of goods from GSP-designated countries is extended to products that are not competitive internationally. The program contains safeguards to protect domestic industries that are sensitive to import competition. Based on projections of U.S. imports and recent data on collections, CBO estimates that renewing GSP would reduce governmental receipts by $0.8 billion over the 2000-2001 period, net of changes in payroll and income taxes.

Provisions Affecting Outlays. Title V would also increase outlays in three programs: payments to territories, Medicaid, and the Vaccine Injury Compensation Trust Fund.

Under current law, a tax of $13.50 per proof gallon is assessed on distilled spirits produced in or brought into the United States. The treasuries of Puerto Rico and the Virgin Islands receive $10.50 of the tax assessed on rum manufactured in either territory. In addition, the territories receive payments, at a similar rate, on all rum imported into the United States from any foreign country. Those payments to Puerto Rico and the Virgin Islands are recorded as outlays in the budget.

Under H.R. 1180, the governments of Puerto Rico and the Virgin Islands would receive $13.25 per proof gallon for assessments made between July 1, 1999, and December 31, 2001. H.R. 1180, though, would limit the amount of additional payments the government could transfer to the territories in fiscal year 2000 to $20 million. Amounts above $20 million would be paid in 2001. Based on recent tax and payment data, CBO estimates that increasing the territories' share of the excise tax would increase direct spending by $20 million in fiscal year 2000 (including $18 million in retroactive payments for fiscal year 1999), $115 million in fiscal year 2001 (including $56 million in payments earned but not paid in 2000), and $15 million in fiscal year 2002.

H.R. 1180 would add certain vaccines against streptococcus pneumoniae to the list of taxable vaccines and thus would allow for compensation for injuries related to those vaccines from the Vaccine Injury Compensation Trust Fund. The provision would generate about $91 million in extra revenues over the 2000-2009 period (the only major revenue provision in subtitle B), and would lead to an estimated $14 million in compensation payments over the same period. This provision also would increase federal Medicaid outlays by $46 million over the 2000-2009 period because Medicaid would be required to pay the excise tax on purchases of vaccines against streptococcus pneumoniae. The federal government purchases about one-half of all vaccines through Medicaid's Vaccines for Children program.

PAY-AS-YOU-GO CONSIDERATIONS

The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in Table 5. For the purposes of enforcing pay-as-you-go procedures, only the on-budget effects in the budget year and the succeeding four years are counted.

TABLE 5. SUMMARY OF H.R. 1180's ON-BUDGET EFFECTS ON DIRECT SPENDING AND RECEIPTS

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	18	52	-16	13	46	72	89	96	77	-167
Changes in receipts	116	-2,846	-8,105	-2,391	-2,163	-1,298	-673	-382	-163	-57

ESTIMATE PREPARED BY:

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